

ALVORD AND ALVORD
ATTORNEYS AT LAW
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SUITE 200
WASHINGTON, D.C.

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ELLSWORTH C. ALVORD (1964)

20006-2973
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OF COUNSEL
URBAN A. LESTER

ALV
March 15, 1996

19975

U.S. Transportation
Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

19975 A

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a), and the regulations thereunder, are two (2) copies of each of the following: a Master Equipment Lease Agreement, dated as of March 15, 1996, a primary document as defined in the Board's Rules for the Recordation of Documents, and a Lease Schedule No. 1, dated as of March 15, 1996, a secondary document related thereto.

The names and addresses of the parties to the enclosed document are:

| | | |
|--------|---|--------------------------------------------------------------------------------------------|
| Lessee | : | RailAmerica Equipment Corp. 1800 Diagonal Road, Suite 150 Alexandria, Virginia 22314 |
| Lessor | : | Dakota Rail, Inc. 25 Adams Street North Hutchinson, Minnesota 55350 |

A description of the railroad equipment covered by the enclosed document is:

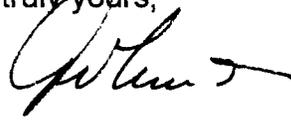
One hundred (100) tank cars bearing TMCX reporting marks
and road numbers as set forth in Lease Schedule No. 1.

Mr. Vernon A. Williams
March 15, 1996
Page 2

Also enclosed is a check in the amount of \$42.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return one stamped copy of each of the enclosed documents to the undersigned.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Robert W. Alvord", with a long horizontal flourish extending to the right.

Robert W. Alvord

RWA/bg
Enclosures

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20423-0001

3/15/96

Robert W. Alvord
Alvord And Alvord
918 Sixteenth Street, NW., Ste. 200
Washington, DC., 20006-2973

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 3/15/96 at 4:00PM, and assigned recordation number(s). 19974, 19974-A, 19975, 19975-A and 19976.

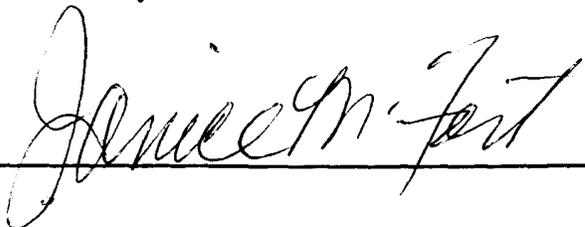
Sincerely yours,


Vernon A. Williams
Secretary

Enclosure(s)

\$ 105.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature



MASTER EQUIPMENT LEASE AGREEMENT

MASTER EQUIPMENT LEASE AGREEMENT (the "Lease") dated as of March 15, 1996 between DAKOTA RAIL, INC. ("Lessor"), a South Dakota corporation, having its principal place of business at 25 Adams Street North, Hutchinson, MN 55350 and RAILAMERICA EQUIPMENT CORP., a Delaware corporation ("Lessee").

In consideration of the mutual promises contained herein and for other good and valuable consideration, the parties hereto agree as follows:

1. Equipment Leased and Term. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor, the property (the "Equipment") described in any lease schedule (a "Schedule") executed by the parties hereto, each such Schedule, together with any Acceptance Certificate for any Equipment described in a Schedule, being fully incorporated herein by reference. The term (the "Term") of this Lease with respect to any item of Equipment shall be as set forth in the Schedule for such Equipment.

2. Rent. Lessee shall pay to Lessor rent ("Rent") for each item of Equipment in the amounts and at the times specified in the Schedule for such Equipment. Any payment not made when due shall bear interest at the lower of (i) 18% per annum or (ii) the highest rate permitted by applicable law.

3. Use; Maintenance. Lessee agrees to use the Equipment exclusively in its own service, except as hereinafter provided, in accordance with the provisions of the appropriate Rider. None of the Equipment shall be shipped beyond the boundaries of Canada or the United States except with the prior written consent of Lessor. Further, the Equipment shall be used in accordance with manufacturer's specifications and so as not to void any warranties, in accordance with insurance policies required to be maintained and so as not to discriminate against the Equipment as to other cars owned or used by Lessee. Lessee will preserve the Equipment in good order, condition and repair at all times and will not in any way alter the physical structure of the Equipment. Lessee will, at its sole cost and expense, maintain, repair and make modifications to the Equipment to be in compliance with all requirements of the Association of American Railroads' rules for interchange and Transport Canada regulations governing interchange (together "Interchange Rules"), and all requirements of the United States Department of Transportation and other United States and Canadian governmental authorities.

Lessee shall not, without the prior written consent of Lessor, affix or install any accessory, part, equipment, or device on any Equipment if such addition will impair the originally intended function, use or value of such Equipment. All additions, repairs, parts, supplies, accessories, equipment and devices furnished, attached or affixed to the Equipment shall thereupon become the property of Lessor (except for such as may be removed without in any way affecting or impairing the originally intended function or diminishing the value of the Equipment or use thereof or materially damaging the Equipment, and provided further that any damage caused by such removal is repaired by Lessee forthwith).

4. Disclaimer of Warranties. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, FITNESS,

QUALITY, DESIGN, CONDITION, CAPACITY, SUITABILITY, MERCHANTABILITY OR PERFORMANCE OF THE EQUIPMENT, THE MATERIAL OR WORKMANSHIP THEREOF NOR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER AS TO THE EQUIPMENT OR LESSEE'S USE THEREOF, IT BEING AGREED THAT THE EQUIPMENT IS LEASED "AS IS" AND THAT ALL SUCH RISKS, AS BETWEEN LESSOR AND LESSEE, ARE TO BE BORNE BY LESSEE.

5. Insurance. Lessee shall maintain at its sole expense all-risk physical damage insurance, comprehensive general liability insurance without exclusion for punitive damages, hazardous materials, transportation or otherwise and such other insurance covering such risks and with such insurers as shall be reasonably satisfactory to Lessor. All insurance shall (a) name Lessor, as applicable, as named or additional insured, (b) provide that losses shall be payable to Lessor, (c) provide 30 days' prior written notice to Lessor of cancellation, non-renewal or material modification of any policy, (d) provide that the coverage will not be adversely affected by any action or inaction of any person other than Lessor, (e) provide for waiver of subrogation and (f) provide that such insurance shall be primary without right of contribution. Prior to execution and delivery of any Schedule hereto and at least annually thereafter, Lessee shall furnish to Lessor an insurance certificate or other evidence satisfactory to Lessor that any insurance required hereby is in effect. Lessee hereby appoints Lessor as Lessee's attorney-in-fact to make claim for, receive payment of and execute and endorse all documents, checks or drafts, for loss or damage under any insurance policy required to be maintained, and such power is coupled with an interest and is irrevocable.

6. Loss and Damage. Lessee agrees to assume and bear the entire risk of any partial or complete loss with respect to the Equipment from any cause whatsoever, and Lessee agrees to give Lessor prompt notice of any damage to or loss of any Equipment. No loss or damage to the Equipment or any part thereof shall impair any obligation of Lessee under this Lease which shall continue in full force and effect. In the event of any loss or damage to the Equipment, Lessee shall, at the option of Lessor: (a) continue to pay the Rent when and as due hereunder and repair or replace (with clear title thereto in Lessor) the Equipment such that the repaired or replaced Equipment is in at least the condition required by the terms of this Lease or (b) purchase the Equipment by paying Lessor in cash the Stipulated Loss Value as set forth in the Schedule. Upon Lessee's payment of the Stipulated Loss Value and the payment of Rent to the date of the Stipulated Loss Value payment, this Lease shall terminate with respect to such item of Equipment, and Lessor shall transfer such item of Equipment to Lessee "as-is, where-is and with all defects," without recourse and without representation or warranty of any kind, other than a warranty that such item of Equipment is free and clear of liens created by Lessor. Any physical damage insurance proceeds received by Lessor shall be applied against amounts due Lessor hereunder, and, except in the case of a default hereunder, any excess shall be paid to Lessee.

7. Taxes; Liens. Lessee shall pay by the due date, and shall indemnify and hold Lessor, its assigns and their affiliates (individually, an "Indemnitee") harmless on an after-tax basis, from and against all fees, taxes, withholdings, assessments, licenses, permits, documentary charges and other governmental charges, however designated together with any penalties, fines or interest, if any, thereon, (collectively, "Impositions") which are at any time imposed against an Indemnitee, Lessee, this Lease, the Equipment or any part thereof by any

authority other than taxes on or measured by the net income of Lessor. Lessee shall not cause or permit any lien, encumbrance or claim (a "Lien") on or with respect to the Equipment or any interest therein and shall cause any Lien other than a lien created by Lessor to be promptly removed. Upon the expiration of this Lease, Lessee shall pay to Lessor any impositions assessed or accrued but not yet due and payable. Upon request from Lessor, Lessee shall make all filings required in connection with Impositions and permitted by applicable law to be made by Lessee. Lessee shall submit to Lessor for execution within a reasonable time prior to the due date thereof any such filings prepared by Lessee and required to be executed by Lessor.

8. Default; Remedies. Lessee shall be deemed to be in default hereunder upon the happening of any of the following events: (a) Lessee shall fail to pay Rent or any other sum due hereunder within 3 days after the same is due and payable; (b) Lessee shall fail to perform or observe any provision of this Lease and such failure shall continue for 10 days after the earlier to occur of actual knowledge by Lessee of such failure or written notice thereof from Lessor; (c) proceedings under any bankruptcy, insolvency, reorganization or similar litigation shall be instituted by or against Lessee, Lessee shall become insolvent, an assignment shall be made by Lessee for the benefit of its creditors, or a receiver, custodian or similar officer shall be appointed for Lessee or any of its property; (d) any warranty, representation or statement made by Lessee is found to be incorrect or misleading in any material respect on the date made; (e) an attachment, levy or execution is overtly threatened or levied upon or against any portion of the Equipment; or (f) Lessee shall default under or have accelerated any material obligation, credit agreement, conditional sales contract or other lease. Upon a default hereunder, Lessor may, with or without terminating this Lease, exercise any one or more of the following remedies concurrently or separately (all remedies being cumulative): (aa) declare immediately due and payable all Rent and other sums due or to become due hereunder (discounted to present value at Lessor's internal borrowing rate); (bb) terminate this Lease as to any or all Schedules; (cc) enforce performance by Lessee of the applicable covenants of this Lease; (dd) repossess the Equipment wherever situated without court order or legal process and without liability for entering the premises where the Equipment may be located and, sell, lease or make other disposition of the Equipment for the account of Lessee to the extent of amounts owed hereunder; (ee) set off and apply against any Rent and other sums due hereunder any and all sums of money held by Lessor or any affiliate of Lessor; (ff) demand payment of Stipulated Loss Value, together with accrued but unpaid Rent and other sums then due hereunder, in which case Lessor shall convey the Equipment to Lessee "as-is, where-is and with all defects," without recourse and without representation or warranty, express or implied, other than a warranty that the Equipment is free and clear of any liens created by Lessor; (gg) whether or not the Equipment is sold, or retained by Lessor, recover from Lessee an amount that will fully compensate Lessor for any loss or damage occasioned by Lessee's breach, including without limitation reasonable attorneys' fees and costs incident thereto; and (hh) exercise any other rights and remedies which may be available at law or in equity. It is specifically intended by the parties hereto that Lessor shall be entitled to the remedies of a lessor under Section 1168 of the U.S. Bankruptcy Code.

9. Indemnity. Lessee agrees that each Indemnitee shall not be liable to Lessee for, and Lessee shall indemnify and save such Indemnitee harmless from and against any and all liabilities, claims and expenses including reasonable attorneys' fees arising from or caused directly or indirectly from the manufacture, purchase, lease, possession, use, operation, condition, return of the Equipment, by operation of law or otherwise related to this Lease or the

transactions contemplated hereby, other than arising from the gross negligence or wilful misconduct of such Indemnatee. At the request of such Indemnatee, Lessee shall assume full responsibility for any matter hereby indemnified against.

10. Alterations. Without the prior written consent of Lessor, Lessee shall not make any alterations, additions, modifications or improvements ("Modifications") to the Equipment (a) except as required by Section 3 hereof and (b) except for Modifications that do not reduce the value, capacity or useful life of the Equipment, are readily removable without causing damage to the Equipment and are of a kind that are customarily furnished by lessees or purchasers of equipment of the kind subject to this Lease. Any Modifications described in clause (b) hereof shall remain the property of Lessee, but if not removed by Lessee prior to expiration of the Term (with any damage caused thereby being repaired by Lessee), title to such Modifications shall immediately vest in Lessor without further action, and Lessee shall remove any Liens on such Modifications. Any Modifications which are not readily removable or are otherwise required to be made to the Equipment shall become part of the Equipment, shall be deemed to be the property of Lessor without further action and shall be subject to the terms of this Lease.

11. Assignment, Notices and Waivers. This Lease and all rights of Lessor hereunder, and any part thereof, shall be assignable by Lessor without Lessee's consent, but Lessee shall not be obligated to any assignee of Lessor except after written notice of such assignment from Lessor. Without the prior written consent of Lessor, Lessee shall not assign this Lease or its interests hereunder provided, however, that upon providing prior written notice to Lessor Lessee shall be permitted to sublease the Equipment. For purposes hereof, a prohibited assignment shall be deemed to have occurred upon (a) a merger, consolidation or other corporate reorganization or change in the identity of Lessee, (b) a sale, lease or other disposition of all or a substantial portion of the stock or assets of Lessee, with substantial portion meaning greater than twenty percent (20%), (c) issuance of additional stock or equity securities in any form if the issuance results or could result in a change of ownership of Lessee for any equity owner by more than twenty percent (20%) based on equity ownership as of the date of this Lease and (d) the occurrence of any transaction described above with respect to any fifty percent (50%) or greater owner of Lessee. The rights of any sublessee who first receives possession of the Equipment after the date hereof by reason of a sublease permitted by this Section 11 shall be expressly subject and subordinate to all of the terms of this Lease including, without limitation, the right to repossession pursuant to Section 8 hereof and to void any such sublease upon such repossession, and Lessee shall remain primarily liable hereunder for the performance of all the terms of this Lease, and terms of any such sublease shall not permit any sublessee to take any action not permitted to be taken by Lessee in this Lease with respect to the Equipment. Lessee will assign any such sublease to Lessor concurrently with entering into any such sublease by an agreement reasonably satisfactory to Lessor, which assignment shall be consented to by such sublessee.

12. Lessee Representations, Warranties and Covenants. Lessee represents, warrants and covenants to Lessor as follows: (a) Lessee is duly organized and is qualified to transact business and is in good standing in the state of its formation and as a foreign entity in each jurisdiction where the character of its activities requires such qualification; (b) Lessee has the full power, authority and legal right to execute, deliver and perform this Lease, and this Lease

has been duly authorized by all necessary corporate action of Lessee and constitutes a valid and binding obligation of Lessee, enforceable in accordance with its terms; (c) all financial and other information delivered to Lessor by Lessee is true and correct and no material adverse change has occurred in the financial condition of Lessee since the date of any such financial information; (d) the execution, delivery and performance by Lessee of this Lease and the transactions contemplated hereby will not violate any law applicable to Lessee or the Equipment and will not cause a default under any agreement to which Lessee is a party, (e) no consents which have not been obtained are required for Lessee's execution, delivery and performance of this Lease and the transactions contemplated hereby, (f) Lessee agrees to furnish to Lessor (i) as soon as available and in any event within 90 days after the last day of each fiscal year of the Lessee, a copy of the consolidated balance sheet of Lessee and its consolidated subsidiaries as of the end of each fiscal year, and related consolidated statements of income and retained earnings of Lessee and its consolidated subsidiaries for such fiscal year certified by an independent certified public accounting firm of recognized standing, each on a comparative basis with corresponding statements for the prior year, and (ii) within 45 days after the last day of each fiscal quarter of the Lessee (except the last such fiscal quarter) a copy of the consolidated balance sheet of Lessee and its consolidated subsidiaries as of the end of such quarter, and statement of income covering the fiscal year to date of the Lessee and its consolidated subsidiaries, each on a comparative basis with the corresponding period of the prior year, all in reasonable detail and certified by the principal financial officer of the Lessee, and (g) to furnish, together with the financials in clauses (f)(i) above, a certificate of a responsible officer of the Lessee certifying that such officer is familiar with the terms of this Lease and that to his knowledge, there is no default or event of default hereunder, the names of the current sublessee of the Equipment and such other matters as the Lessor shall reasonably request.

13. Return. Upon the occurrence of a default and Lessor's exercise of its rights under Section 8(dd) hereof, the Lessee shall return the Equipment at its sole expense to Lessor at a place designated by Lessor in the same operating order, repair and condition as when originally received by Lessee hereunder, ordinary wear and tear excepted, in the condition required by the maintenance provisions of this Lease and in accordance with any special specifications set forth in any Schedule.

14. Miscellaneous. (a) This Lease is a net lease, and Lessee shall be responsible for all expenses hereunder and with respect to the Equipment; and Rent and other amounts due hereunder shall be paid without reduction for any such expenses and without abatement or reduction for any reason including any defense, recoupment, set-off, counterclaim, or any claim with respect to Lessor, the Equipment or otherwise, it being the specific intention of the parties that Rent and other amounts due hereunder shall be paid in all events; (b) Lessor shall have the right upon prior notice to Lessee to enter into and upon the premises where the Equipment is located to inspect the Equipment, observe its use and review and make copies of any and all records related thereto; (c) if not timely performed by Lessee, any obligations of Lessee hereunder may be performed by Lessor, and Lessor shall immediately be reimbursed for any payments, costs and expense related to such performance and such amounts shall bear interest at the rate provided for late payments of Rent; (d) during the term of this Lease, Lessee shall furnish Lessor with such information relating to Lessee and the Equipment as Lessor shall reasonably request; (e) retention of possession of any item of Equipment after expiration or early termination of this Lease shall be deemed to be a holding over on a month-to-month basis and

all the terms hereof shall remain in full force and effect, except Rent shall be payable at two times the then-applicable Rent; (f) as between Lessor and Lessee, execution of any Acceptance Certificate shall be deemed to be acknowledgment by Lessee that the Equipment the subject of such Schedule is in good condition and repair, has been properly installed and is performing satisfactorily, and that such Equipment has been accepted for all purposes of this Lease; (g) Lessee shall take such action as is required to cause the Equipment to be and remain personal property, and shall obtain such landlord and mortgagee waivers as requested by Lessor; (h) all rights and privileges arising from any indemnities provided herein and in any Schedules shall survive the expiration or early termination of this Lease; (i) to the extent permitted by applicable law, Lessee waives rights and remedies conferred upon it by applicable law to (i) cancel or repudiate this Lease; (ii) reject the Equipment or revoke acceptance of the Equipment; (iii) recover damages from Lessor for any breaches of warranty or for any other reason; (iv) hold a security interest in any Equipment in Lessee's possession or control; (v) recover any general, special, incidental or consequential damages; (vi) any remedy of specific performance; and (vii) require Lessor to sell, lease or otherwise use any Equipment in mitigation of Lessor's damages or to take other action which may limit or modify any of Lessor's rights or remedies hereunder; (j) no covenant or condition of this Lease can be waived except by written consent of Lessor and any failure of Lessor to require strict performance or any waiver by Lessor of any provisions hereof shall not be construed as a waiver of any other breach of the same or any other provision hereof; (k) in the event any provision of this Lease shall be determined to be invalid or unenforceable under applicable law, such provision shall be deemed to be void and the remainder of this Lease shall continue in full force and effect; (l) this Lease, any Schedules and all other documents executed in connection herewith shall be governed and construed in accordance with the internal laws of the State of North Carolina without regard to conflicts of laws principles, and all judicial proceedings arising out of this Lease may be brought in any state or federal court of competent jurisdiction in Mecklenburg County, North Carolina, and for these purposes, Lessee waives any defense of forum non conveniens or any similar defense and accepts the non-exclusive jurisdiction of the aforesaid court; (m) all notices made or required to be given pursuant to this Lease shall be in writing and shall be deemed duly served if and when mailed, certified or registered mail, postage prepaid, return receipt requested, to the other party at its address set forth above or at such other address as such party shall hereafter designate in writing; (n) this Lease shall be binding upon and inure to the benefit of the parties and their respective permitted successors and assigns; (o) Lessee shall take such further action as Lessor may reasonably request to protect Lessor's rights in this Lease and the Equipment, including, without limitation, the execution and delivery of title registration applications and financing statements, and for purposes of accomplishing the foregoing, Lessee appoints Lessor and its designees as Lessee's attorneys-in-fact to execute and file such applications and statements on behalf of Lessee and in the place and stead of Lessee and such appointment is coupled with an interest and is irrevocable; (p) Lessee agrees to pay to Lessor costs and expenses in (i) procuring certified charter documents and good standing certificates of Lessee, (ii) title and lien searches related to Lessee and the Equipment, (iii) title applications, lien applications, registration fees and financing statement or other filing fees; (iv) stamp or documentary charges with respect to the Lease; (v) attorneys' fees (including allocated costs of internal counsel) related to the preparation, negotiation, execution, interpretation, filing and enforcement of this Lease; (vi) administrative expenses arising with respect to the Lease; and (vii) actual other out-of-pocket costs and expenses incurred by Lessor; (q) time is of the essence with respect to the performance by Lessee of each provision of this Lease; and (r) any action by Lessee against Lessor for any

default by Lessor under this Lease shall be commenced within one year after such cause of action accrues.

15. Subject and Subordinate. This Lease is subject and subordinate to that certain Master Equipment Lease Agreement dated as of March 15, 1996 (the "Head Lease") between Lessor, as lessee and First Union Commercial Corporation, as lessor ("Head Lessor") (including without limitation, Head Lessor's rights to repossess the Equipment pursuant to Section 8(dd) of the Head Lease, Head Lessor may avoid to terminate this Lease following a default under the Head Lease, and if Head Lessor declares the Head Lease to be in default pursuant to the Head Lease, Lessee's rights under this Lease shall automatically be deemed assigned to Head Lessor. This Lease is assigned to Head Lessor and Lessee hereby acknowledges and agrees to such assignment.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed under seal as of the day and year first above written.

LESSOR:

DAKOTA RAIL, INC.

By: *John H. Marlow*

Name: JOHN H. MARLOW

Title: PRESIDENT

LESSEE:

RAILAMERICA EQUIPMENT CORP.

By: *John H. Marlow*

Name: JOHN H. MARLOW

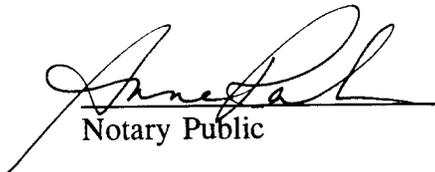
Title: VICE PRESIDENT

State of VIRGINIA

County of FAREAX

I, Anne Park, a Notary Public in and for said state and county, do hereby certify that John H. Marino personally appeared before me this day and acknowledged his due execution of the foregoing Master Equipment Lease Agreement.

Witness my hand and official seal this 13 day of March, 1996.


Notary Public

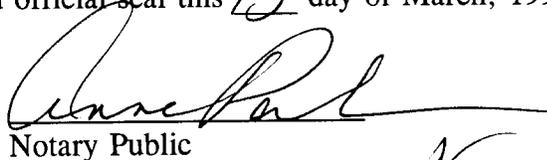
My commission expires 30 Nov 96

State of Virginia

County of Fairfax

I, Anne Park, a Notary Public in and for said state and county, do hereby certify that John H. Marino personally appeared before me this day and acknowledged his due execution of the foregoing Master Equipment Lease Agreement.

Witness my hand and official seal this 13 day of March, 1996.


Notary Public

My commission expires 30 Nov 96